

Core Question 2: Is the organization in sound fiscal health?

The Financial Performance Framework, outlined in Core Question 2, gauges both near term financial health and longer term financial sustainability while accounting for key financial reporting requirements.

2.1. Short-term Health: Does the school demonstrate the ability to pay its obligations in the next 12 months?							
Indicator Targets	Does not meet standard	The school does not meet standard on 2 or more of the five sub-indicators shown below.					
	Approaching standard	The school approaches standard for all 5 sub-indicators shown below, OR meet standard on 3 sub-indicators, while approaching on the remaining 2 OR meets standard on 4 sub-indicators, while not meeting standard for the final sub-indicator.					
	Meets standard	The school meets standard for 4 sub-indicators shown below, while approaching standard on the final sub-indicator.					
	Exceeds standard	The school meets standard for all 5 sub-indicators.					
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Not available		ES	AS			
Sub-indicator Ratings	Sub-	Sub-indicator targets				Result	Rating
	Enrollment Ratio	DNMS	Enrollment ratio is less than or equal to 89%			99%	MS
		AS	Enrollment ratio is between 90 – 98%				
		MS	Enrollment ratio equals or exceeds 99%				
	February Enrollment Variance	DNMS	Enrollment ratio is less than or equal to 89%			89%	DNMS
		AS	Enrollment ratio is between 90 – 95%				
		MS	Enrollment ratio equals or exceeds 95%				
	Current Ratio	DNMS	Current ratio is less than or equal to 1.0			2.94	MS
		AS	Current ratio is between 1.0 – 1.1				
		MS	Current ratio equals or exceeds 1.1				
	Days Cash on Hand	DNMS	Days cash on hand is less than or equal to 30			70	MS
		AS	Days cash on hand is between 30-45				
		MS	Days cash on hand equals or exceeds 45				
Debt Default	DNMS	Default or delinquent payments identified			Meets	MS	
	MS	Not in default or delinquent					

Paramount School of Excellence is **approaching standard** for Core Question 2.1 for the 2013-14 school year.



Core Question 2: Financial Performance Framework Paramount School of Excellence

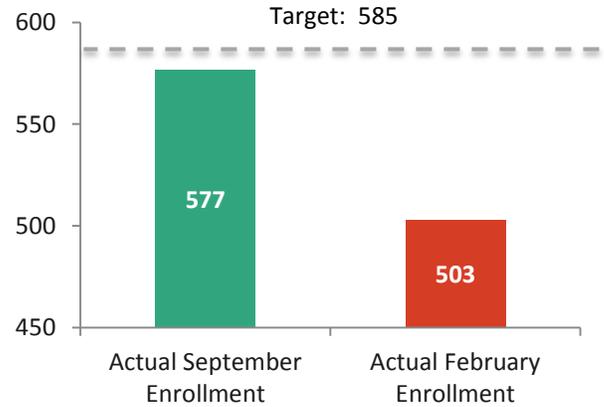
Based on data from the September 2013 count day, the school met the enrollment targets stated in its charter agreement, enrolling 577 students. By February, enrollment dropped to 503, as indicated by the Enrollment Variance calculation. As a result, the school **met standard** for the enrollment ratio and **did not meet standard** for the February Enrollment Variance.

The school had more current assets than current liabilities (those due in the next 12 months). Thus, it **met standard** for the current ratio sub-indicator.

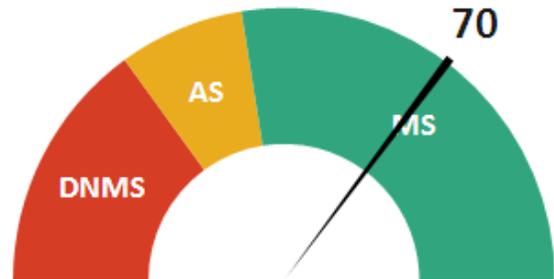
Paramount School of Excellence ended the year with 70 days of cash on hand. This means that if payments to the school had stopped or been delayed post June 30, 2014, the school would have been able to operate for 70 more days. Based on this data, the school **met standard** for this indicator.

Finally, the school successfully met its debt obligations based on the information that Sikich, the school's auditor, provided. Furthermore, there have been no negative communications from the school's lenders. Since the school met standard for all but one of the sub-indicators in core question 2.1, it **met standard** for this section of the core question.

Enrollment Variance Ratio



Days Cash on Hand



2.2. Long-term Health: Does the organization demonstrate long-term financial health?							
Indicator Targets	Does not meet standard	The school does not meet standard on any of the 3 sub-indicators OR meets standard on 1 sub-indicator but does not meet standard on the remaining 2.					
	Approaching standard	The school meets standard on 2 of the sub-indicators while not meeting on the third, OR approaches standard on all 3 sub-indicators.					
	Meets standard	The school meets standard on 2 of the sub-indicators and approaches standard on the third.					
	Exceeds standard	The school meets standard for all 3 sub-indicators.					
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Not available			ES			
Sub-	Sub-	Sub-indicator targets				Result	Rating
	Aggregate Three-Year	DNMS	Aggregate 3-year net income is negative.			\$2,702,027 (aggregate) \$606,633 (current year)	MS
		AS	Aggregate 3-year net income is positive, but most recent year is negative.				
		MS	Aggregate three year net income is positive, and most recent year is positive.				
	Debt to Asset Ratio	DNMS	Debt to Asset ratio equals or exceeds .95			.56	MS
		AS	Debt to Asset ratio is between .9 - .95				
		MS	Debt to Asset ratio is less than or equal to .9				
	Debt Service Coverage (DSC) Ratio	DNMS	DSC ratio is less than or equal to 1.05			3.76	MS
		AS	DSC ratio is between 1.05-1.2				
		MS	DSC ratio equals or exceeds 1.2				

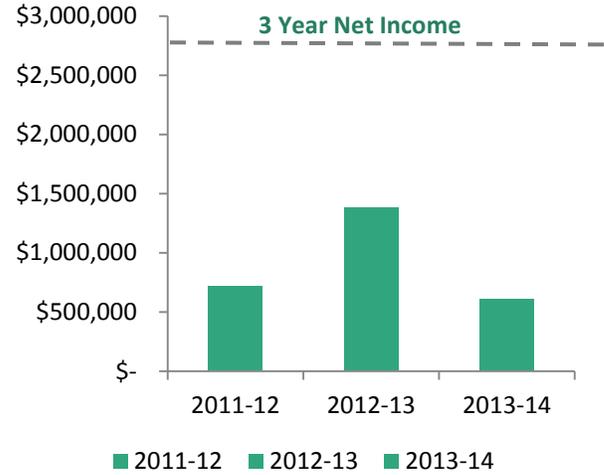
The school met standard for the net income sub-indicator. It had an aggregate three-year net income of **\$2,702,027** and a positive net income **\$606,633** for fiscal year ending June 30, 2014.

The school also met standard on the debt to asset ratio sub-indicator. The school had a ratio of **.56** meaning that its total assets exceeded its total debts.

Additionally, the school met standard for the sub-indicator regarding debt service coverage ratio. The school's assets exceeded its debts. It has **\$318,341** of its total long-term debt of **\$6,076,279** due by the end of fiscal year 2015. Paramount's loan payable will reach maturity on June 18th, 2018. In that year, the school will owe the largest payment of its debt in the amount of **\$5,121,258**. As Paramount plans its future budgets it should consider this debt payment hike.

Since the school met standard for all three sub-indicators of core question 2.2, it exceeded standard for this section of the core question.

Three-Year Net Income



2.3. Does the organization demonstrate it has adequate financial management and systems?							
Indicator Targets	Does not meet standard	The school does not meet standard on 1 of the sub-indicators.					
	Approaching standard	The school meets standards on 1 sub-indicator, but approaches standard for the remaining sub-indicator.					
	Meets standard	The school meets standard on both sub-indicators.					
School Rating	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Not available			MS			
Sub-indicator Ratings	Sub-indicator	Sub-indicator targets					Rating
	Financial Audit	DNMS	The school receives an audit with multiple significant deficiencies, materials weakness, or has an ongoing concern.				MS
		AS	The school receives a clean audit opinion with few significant deficiencies noted, but no material weaknesses.				
		MS	The school receives a clean audit opinion.				
	Financial Reporting Requirements	DNMS	The school fails to satisfy financial reporting requirements.				MS
		MS	The school satisfies all financial reporting requirements.				

Paramount School of Excellence received a rating of **meets standard** for Core Question 2.3 for the 2013-14 school year.

The school received a clean accrual audit report with a few significant deficiencies noted, but no material weaknesses. The auditor noted that the OMB Circular A-133 federal audit found significant deficiencies that were “outside the control of the School”. Furthermore, questioned costs from the prior year audit were corrected by the time of publication of the 2013-14 audit. Because the auditor did not deem Paramount responsible for the significant deficiencies, the school **met standard** for the financial audit sub-indicator. The school **met standard** for all of its reporting requirements, and the school’s auditors issued their report December 5, 2014.